Press Release

May 24, 2017

Harel Group concludes Q1/2017 with comprehensive profit of NIS 253 million

Premiums and benefit contributions earned in Q1/2017 increased by 16% to NIS 5.46 billion

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Total managed assets reached an all-time high of NIS 189.5 billion

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The Group's EV increased to NIS 14.2 billion in 2016

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The capital surplus under IQIS5 at 12/15 was NIS 1.7 billion, and is expected to increase to NIS 2.7 billion with the publication of the new Capital Regulations

Harel Insurance Investments and Financial Services Ltd. has published its financial statements for Q1/2017:

Total earned premiums and benefit contributions increased by 16% to NIS 5.46 billion in Q1/2017, compared with NIS 4.7 billion in the corresponding quarter last year.

Comprehensive profit in Q1/2017 **was NIS 253 million**, compared with NIS 14 million in the corresponding quarter last year.

Equity attributed to the Company's shareholders was NIS 5.3 billion at March 31, 2017.

The **return on equity (RoE)** in Q1/2017 was 19%.

Together with publication of the Q1/2017 reports, the Company also published the EV reports for the Group's business:

The Group's **total EV** - which includes life assurance, pension and health insurance activity - **increased by 7% to NIS 14.2 billion** at the end of 2016, compared with NIS 13.3 billion at the end of 2015.

The Value of New Business (VNB) included in the Group's EV at the end of 2016 was NIS 1.1 billion.

The Group's **Value in Force (VIF) increased by 9%** to NIS 11.2 billion at December 31, 2016, compared with NIS 10.2 billion at the end of 2015.

At March 31, 2017, the Group held NIS 189.5 billion in **assets under management** in insurance, pension funds, provident funds, mutual funds, and financial services.

Michel Siboni, CEO of Harel Insurance and Finance Group, issued the following statement: "The Q1/2017 results show that Harel Group continues to maintain its position as Israel's leading insurance group", and he added that: "The changing business environment requires us to constantly rethink and adapt our business strategy to
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circumstances. Accordingly Harel has formulated a new strategy called: “Recalculating our Route”. We are implementing this strategy after a year-long period of preparation, with the purpose of supporting Harel’s future growth and development in this dynamic digital era.” Siboni explained that: “The new strategic plan, which is based on giving the customer center stage, emphasizes expansion of the use of digital processes and the development of data analysis capabilities which will enable the Company, in full and close cooperation with the agents, to offer customers personalized solutions at every stage of work, including sales, obtaining information, handling claims and policy renewals”.

Long-term savings

Comprehensive profit in long-term savings activity (life assurance, pensions, provident and education funds) was NIS 208 million in Q1/2017, compared with a comprehensive loss of NIS 37 million in the corresponding quarter last year.

Total earned premiums and benefit contributions in long-term savings activity increased by 21% to NIS 3.5 billion in Q1/2017, compared with NIS 2.9 billion in the corresponding quarter last year.

Life assurance

Comprehensive profit in life assurance was NIS 188 million in Q1/2017**,** compared with a comprehensive loss of NIS 43 million in the corresponding quarter last year.

The shift from loss to profit is mainly attributable to an increase in the risk-free interest rate in the Reporting Period, as a result of which Harel Insurance revised the discounting interest rates that are used for calculating some of the insurance liabilities. Accordingly, the insurance liabilities decreased by NIS 46 million before tax in the Reporting Period as against an increase of NIS 54 million before tax in the insurance liabilities in the corresponding quarter last year.

Total earned premiums in life assurance amounted to NIS 1.2 billion in Q1/2017, compared with about a billion shekels in the corresponding quarter last year. The increase in premiums is mainly attributable to lump-sum deposits for savings.

Pension funds

Comprehensive profit from pension fund management amounted to NIS 11 million in Q1/2017, compared with NIS 9 million in the corresponding period last year.

Benefit contributions collected by the Group's pension funds increased by 15% to NIS 1.6 billion in the Reporting Period, compared with NIS 1.4 billion in the corresponding period last year. The increase relative to the end of the previous year is mainly attributable to ongoing deposits.

The volume of assets managed by the Group's pension funds increased by 22% to NIS 46.6 billion at March 31, 2017, compared with NIS 38.1 billion in the corresponding period last year.

Provident funds & education funds

Comprehensive profit in the provident funds and education funds was NIS 9 million in Q1/2017, compared with a comprehensive loss of NIS 3 million in the corresponding period last year.

Benefit contributions collected by the provident funds and education funds increased by 36% to NIS 675 million in Q1/2017, compared with NIS 496 million in the corresponding period last year.

Assets under management held by the Group's provident funds and education funds increased by 9% to NIS 32.5 billion at March 31, 2017, compared with NIS 29.8 billion in the corresponding period last year.

Health insurance

Comprehensive profit in the health insurance segment was NIS 23 million **in Q1/2017,** compared with NIS 27 million in the corresponding quarter last year.
Total earned premiums in the health insurance segment increased by 8% to NIS 1.1 billion in Q1/2017, compared with NIS 996 million in the corresponding quarter last year.

Non-life insurance

Comprehensive profit in non-life insurance was NIS 62 million in Q1/2017, compared with a comprehensive loss of NIS 51 million in the corresponding period last year. The shift from loss to profit is mainly attributable to the effect of the publication of the recommendations of the inter-ministerial committee headed by Dr. Eliahu Winograd in the corresponding period last year, as a result of which Harel Insurance revised its insurance liabilities by NIS 150 million before tax, so as to reflect an up-to-date estimate of the repayments that Harel Insurance will be expected to pay for claims in compulsory motor and liabilities insurance.
Gross premiums in non-life insurance increased by 3% to NIS 990 million in Q1/2017, compared with NIS 961 million in the corresponding quarter last year.

Harel Finance

Comprehensive profit in the capital market and financial services segment was NIS 8 million **in Q1/2017,** compared with NIS 18 million in the corresponding quarter last year. The decline is mainly the result of a decline in the assets under management in the old mutual funds and reduced revenues from ETN activity.
Revenues in the capital market and financial services segment amounted to NIS 50 million in Q1/2017, compared with NIS 65 million in the corresponding quarter last year. The decline is mainly due to a reduction of the assets under management in the mutual funds and investment portfolios.
In the capital market and financial services segment, Harel Finance Investment House managed assets in the amount of NIS 38 billion at March 31, 2017, compared with NIS 44 billion in the corresponding period last year.

Equity

Based on the IQIS5 exercise performed by Harel Insurance, in accordance with the new Solvency II regime that the Ministry of Finance intends to apply, Harel Insurance has a capital surplus on a consolidated basis of NIS 1 billion at December 31, 2015, and taking the transition provisions into account, the capital surplus is estimated at NIS 1.7 billion.

The capital surplus is expected to increase to NIS 2.7 billion with the publication of the new Capital Regulations, if they are approved by the Knesset Finance Committee. Harel Insurance believes that implementation of the key changes in these regulations will improve its capital surplus ratio so that the ratio based on a full calculation (at December 31, 2015) will be 139% (instead of 122%) and the ratio calculated without the transition provisions will be 128% (instead of 113%).